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Kerr-Addison Gold Mines

Limited

(No Personal Liability)

Twelfth Annual Report

For the Year Ended
December 31st, 1947

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Kerr-Addison Gold Mines Limited

(No Personal Liability)

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OFFICERS

President
JAMES Y. MURDOCH, O.B.E., K.C., LL.D.

Vice-President and Managing Director
ANDRE DORFMAN

Secretary-Treasurer
G. A. CAVIN

DIRECTORS

JAMES Y. MURDOCH, O.B.E., K.C., LL.D.
ANDRE DORFMAN
L. K. FLETCHER
OLIVER HALL
HAROLD H. LEATHER, M.B.E.
J. H. RATTRAY
J. H. C. WAITE

Manager
W. S. ROW

Head Office: 80 King St. West, Toronto 1, Ont.

Mine Office: Virginiatown, Ont.

TRANSFER AGENTS AND REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY
34 King St. West, Toronto 1, Ont.

REGISTRAR & TRANSFER COMPANY
2 Rector St., New York 6, N.Y.

REGISTRAR & TRANSFER COMPANY
15 Exchange Place, Jersey City 2, N.J.

AUDITORS

FRED PAGE HIGGINS & COMPANY
36 Toronto St., Toronto, Ont.

ANNUAL MEETING

April 20th, 1948, 12.00 Noon (Toronto Time), King Edward Hotel
Toronto, Ont.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Directors' Report

To the Shareholders,
Kerr-Addison Gold Mines Limited.

Your Directors submit herewith the Twelfth Annual Report of your Company with Balance Sheet as at December 31st, 1947, (Auditors' Report and Certificate attached), Statement of Operations for the year ended December 31st, 1947, together with Statement of Earned Surplus and Capital Surplus as at December 31st, 1947, and report of the Mine Manager.

Net earnings in 1947 were 41.23 cents per share compared with 29.27 cents per share in 1946. The increase resulted from the treatment of 2,137 tons per day compared with 1,457 tons per day in 1946, although the average recovery was only $6.73 per ton compared with $6.94 in 1946 (gold at $35.00 per oz.).

The Manager's Report shows ore reserves at the year end, above the 1,450 foot level, at some 8,168,000 tons averaging $7.00 per ton, so that after milling 780,000 tons there was a decrease of 300,000 tons from the previous year.

Partially developed ore between the 1,450 foot level and the 1,600 foot level is shown at 2,250,000 tons, an increase of 30,000 tons over the estimate at December 31st, 1946.

You will note from the Balance Sheet that Current Assets, less Liabilities, at the year end stood at approximately $1,760,000 compared with $2,600,000 at the end of 1946, but that the item of Buildings, Plant and Equipment stood at $5,920,000 compared with $3,500,000 at the end of the previous year. Your Directors feel that liquid assets and current earnings, after dividends, will adequately provide for the expenditure necessary to complete the plant expansion.

The plant expansion programme has made excellent progress and a determined effort is being made to increase the daily tonnage capacity of the plant to 3,000 tons by October next, and to reach the objective of 4,000 tons per day by the end of 1948.

A cost-of-living bonus to employees was granted in the form of a wage increase effective January 1st, 1948. The manpower situation, which curtailed operations heretofore, is now rapidly improving and your Management expects that the mine will be able to supply the additional tonnage required under the expansion programme.

Due to the scarcity of water, there has been a general curtailment of hydro-electric power in the mining districts commencing in February of this year, but your management was able to obtain and install a diesel-engine generator in time to practically make up for the necessary hydro power curtailment, with the result that production has not been reduced.

Your Directors wish to express their appreciation of the services rendered during the past year by the Manager and Staff.

By Order of the Board,

JAMES Y. MURDOCH,
President.

Toronto, Ontario,
March 16th, 1948.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Manager's Report

The President and Directors,
Kerr-Addison Gold Mines Limited,
Toronto, Ontario.

Dear Sirs:

The operation of the mine for the year ended December 31st, 1947 is covered by the following report:

During 1947 the general conditions affecting the operation were the best since 1942. While labour turnover remained high the working force increased from 505 to 649. The amount of underground work accomplished exceeded that of the previous year by approximately 40 per cent, but in spite of the increase in force, mining, development and construction programmes fell behind their schedules.

Broken ore reserves were increased by 161,509 tons. In mining operations 869,276 tons of ore were broken and of this all but 71,799 tons broken on the 1,300 foot level, were above the 1,000 foot level. Supplementary development and actual mining operations during the year disclosed additional ore above the 1,450 foot level amounting to 482,025 tons.

In order to prepare the mine for the production of 28,000 tons of ore per week late in 1948, all miners available were used on development, stope development and mining in the larger orebodies only. The exploration and development of the smaller ore occurrences, outside of the main bodies, will be resumed when adequate numbers of miners can be either hired or trained.

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1947

	Advance in Feet									Tons Broken In				
Level	Drifts	Cross Cuts	Raises	Box-holes	Sub-Drifts	Total Dev. Lin. Ft.	Slashing Cu. Ft.	Station Cutting Cu. Ft.	Diamond Drilling	Backs	Sills	Stopes	Pillars	Total
300	.....	.....	.....	.....	.....	.....	360	.....	1,104	.....	.....	.....	.....	.....
500	421	61	165	36	79	762	2,838	.....	688	.....	7	13,019	.....	13,026
700	87	.....	282	808	99	1,276	9,125	.....	2,501	486	10,213	106,953	14,005	131,657
850	90	.....	667	701	355	1,813	3,918	.....	3,166	1,928	8,081	85,379	.....	95,388
1000	238	364	518	1,698	511	3,329	8,485	.....	9,125	1,281	32,339	454,908	68,878	557,406
1150	18	322	584	.....	842	1,766	18,554	.....	9,372	.....	.....	.....	.....	.....
1300	747	256	1,036	2,340	2,003	6,382	35,747	9,569	8,433	9,301	23,205	39,293	.....	71,799
1450	.....	52	282	.....	.....	334	1,941	6,562	12,502	.....	.....	.....	.....	.....
1600	110	503	426	.....	.....	1,039	19,189	6,068	45,102	.....	.....	.....	.....	.....
1750	1,521	721	428	.....	.....	2,670	5,715	6,345	3,019	.....	.....	.....	.....	.....
1900	182	207	466	.....	.....	855	7,966	6,772	15,271	.....	.....	.....	.....	.....
2050	.....	629	421	.....	.....	1,050	1,517	9,264	.....	.....	.....	.....	.....	.....
2200	.....	184	455	.....	.....	639	9,288	5,559	.....	.....	.....	.....	.....	.....
2350	.....	114	383	.....	.....	497	3,733	8,589	.....	.....	.....	.....	.....	.....
2500	.....	.....	211	.....	.....	211	.....	92,870	.....	.....	.....	.....	.....	.....
2650	.....	.....	.....	.....	.....	.....	.....	15,370	.....	.....	.....	.....	.....	.....
TOTALS	3,414	3,413	6,324	5,583	3,889	22,623	128,376	166,968	110,283	12,996	73,845	699,552	82,883	869,276

Ore Reserves:

Ore reserves, all above the 1,450 foot level, total 8,168,360 tons having a grade of 0.2012 oz. per ton after allowing for dilution. Broken ore reserves amounting to 874,826 tons are included in the above figure.

Lower Development:

Work to date has indicated 2,250,080 tons of partially developed ore having an indicated grade of 0.2257 oz. per ton between the 1,450 and 1,600 foot levels. Considerable development work has been done on the 1,600 foot level in preparing for stope development and actual stope silling operations.

This work resulted in outlining the ore at, and above, the 1,600 foot level in greater detail and in minor revisions to both tonnage and grade figures.

On the 1,750 foot level the first part of the ore picture has been obtained. So far No. 6 orebody has an indicated length of 450 feet, width of 43 feet and grade of 0.3605 oz. per ton. At this horizon work to date shows No. 10 orebody having an indicated length of 350 feet, width of 22 feet, and grade of 0.3481 oz. per ton. Each of these orebodies is still open on one end. The above figures include no provision for dilution.

On the 1,900 foot level, more detailed diamond drilling now shows the flow type orebodies to have an indicated total length of 2,488 feet, average width of 38.4 feet and average grade of 0.3355 oz. per ton, before allowing for dilution. So far the indicated carbonate orebodies at this horizon have a combined length of 1,795 feet, average width of 20.3 feet and an average grade of 0.2234 oz. per ton, before allowing for dilution.

Production:

The milling rate was increased from 1,650 tons to 2,200 tons daily during the first quarter and the increased rate was maintained through the year. The tonnage treated established a record for the mine but no record was made in ounces of gold produced as the ore grade was lower than in 1942, (the only year in which gold production was greater), because of large tonnages pulled from the lower grade horizon between the 700 and 1,150 foot levels.

The wage increase of December, 1946, increased prices of many operating supplies, and the heavy increase in broken ore reserves were factors which tended to keep costs per ton up, in spite of the large tonnage treated. Lack of miners to carry out additional development work kept that item of cost down.

SUMMARY OF PRODUCTION FOR THE YEAR 1947

Tons Milled	780,153	Average per day—2,137.4	
Total Gold Recovered	150,039.56	ozs.	
Total Silver Recovered	7,732.03	ozs.	
Average Gold Recovery per ton	0.1923	oz.	$6.7305—Au. at $35/oz.
Average Tailings Loss per ton	0.0054	oz.	$0.1890—Au. at $35/oz.
Average Mill Head Value per ton (Bullion plus tails)	0.1977	oz.	$6.9195—Au. at $35/oz.
Total Realized Value of Bullion (Canadian Funds)	$5,257,178.76		
Total Realized Value of Bullion per ton (Can. Funds)			$6.739

Cost Summary:	Total	Per Ton
Development	$ 482,764.22	$ .619
Stope Development	294,937.95	.378
Mining	403,879.34	.518
Haulage	351,951.90	.451
Hoisting	140,977.24	.180
Crushing and Conveying	96,103.46	.123
Milling	437,970.59	.562
General Expense	240,440.86	.308
Bullion Marketing	43,262.84	.055
TOTAL OPERATING COSTS AT MINE	$2,492,288.40	$3.194
Net Operating Profit at Mine (Before provision for Depreciation and Taxes)	$2,764,890.36	$3.545

Plant Expansion:

Fair progress was made in most of the construction work but lack of both skilled and unskilled workers, and failures of contractors to fulfill their contracts on time, has thrown the entire programme approximately 3½ months behind schedule. Seven fireproof building units scheduled for 1947 were erected but roofs were not complete. Mill foundations were incomplete at the year's end, and the

erection of the mill frame which was to be started in October was deferred to start in late January, 1948, only because the contractor found it impossible to deliver steel at an earlier date. The headframe will be erected after the mill frame is complete.

Accommodation for approximately 200 permanent employees and 200 construction workers was provided by dormitories, construction camps and a cafeteria planned in 1946 and placed in service May 1st, 1947.

General:

The forty new houses contracted for in 1946 were all completed and occupied early in 1947.

An agreement was reached with the municipality under which it is taking over the public utilities in Virginiatown. We were relieved of their maintenance on July 1st. With the assistance of an expert, plans have been drawn for a new town sub-division to be laid out on Kerr-Addison claims north of the highway. It is hoped to open the first part of this in 1948.

As regards production, it now appears that the mill will be ready to handle 3,000 - 3,200 tons daily by October 1st, 1948, and 4,000 tons daily by January 1st, 1949. The mine will definitely be prepared to supply the increased tonnages whenever required. Plans have been made to assure an adequate underground force.

I again take pleasure in thanking the Departmental Heads and their staffs for their work and loyal co-operation during a year in which much of the work was unusually difficult through shortages of both men and supplies. I also acknowledge with appreciation and thanks the generous support and assistance of the Officers and Directors.

Respectfully submitted,

W. S. ROW,
Manager.

Virginiatown, Ontario,
March 4th, 1948.

Kerr-Addison

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BALANCE SHEET –

ASSETS

Current Assets:			
Cash on hand and in bank		$ 66,777.85	
Dominion of Canada bonds at cost (Market value $2,043,187.50)		2,042,068.75	
Bullion:			
Certified by responsible Company officials		262,541.96	
Accounts receivable		162,960.48	
Interest accrued		5,936.64	$ 2,540,285.68
Sundry Investments:			
Shares in other companies at cost		$ 2,500.00	
Mortgages receivable		5,928.63	8,428.63
Deferred Charges:			
Supplies and materials taken at book value		$ 636,655.71	
Unexpired portion of insurance premium and other prepaid expenses		90,270.07	726,925.78
Capital Assets:			
Mining claims at cost		$ 1,245,993.12	
Lands (surface rights only)		40,649.00	
Buildings, plant and equipment at cost	$ 5,920,704.02		
Less: Reserve for depreciation	2,962,812.89	2,957,891.13	4,244,533.25
			$ 7,520,173.34

Gold Mines Limited

Liability)

ıe Province of Ontario, Canada)

As at December 31st, 1947

LIABILITIES

Current Liabilities:

Accounts and wages payable and accrued charges	$ 397,486.22	
Unclaimed dividends	4,430.19	
Portion of dividend paid December 30, 1947 outstanding	59,025.52	
Dominion income and Ontario corporations taxes	199,558.88	
Province of Ontario mining tax	120,055.35	$ 780,556.16

Capital Stock and Surplus:

Capital stock:

Authorized—

5,000,000 shares of $1.00 each	$ 5,000,000.00

Issued and fully paid—

4,730,301 shares of $1.00 each	$ 4,730,301.00	
Less: Discount on shares sold	1,798,378.80	
	$ 2,931,922.20	

Surplus:

Earned surplus as per statement attached	3,642,852.59	
Capital surplus as per statement attached	164,842.39	6,739,617.18
		$ 7,520,173.34

Commitments for buildings, plant and equipment in course of construction but uncompleted amount to approximately $1,123,031.61.

CERTIFICATE

We have examined the accounts and the Balance Sheet of Kerr-Addison Gold Mines Limited (No Personal Liability) for the year ended December 31, 1947, and report, that in our opinion, the balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us and as shown by its books.

We certify that our requirements as auditors have been complied with.

Toronto, March 9, 1948.

FRED PAGE HIGGINS & CO.,
Chartered Accountants.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

STATEMENT OF OPERATIONS
For the Year Ended December 31st, 1947

Revenue:		
Bullion recovered	$ 5,257,178.76	
Miscellaneous income	114,852.97	$ 5,372,031.73
Expenditure:		
Cost of metal production including mining, milling, delivery and mint charges	$ 2,470,754.99	
Administration and general expenses	56,058.20	
Municipal and sundry taxes	19,070.98	
Contributions to employees' group insurance and medical aid plan	14,964.04	2,560,848.21
		$ 2,811,183.52
Provision for depreciation of buildings, plant and equipment owned at the commencement of the period	$ 236,037.43	
Provision for Dominion Income and Ontario Mining and Corporations taxes	624,667.72	860,705.15
Net revenue transferred to Earned Surplus Account		$ 1,950,478.37

Kerr-Addison Gold Mines Limited

(No Personal Liability)

EARNED SURPLUS ACCOUNT
As at December 31st, 1947

Balance at credit, January 1, 1947		$ 2,543,828.40
Add:		
Net revenue brought forward from Statement of Operations for the year ended December 31, 1947		1,950,478.37
		$ 4,494,306.77
Deduct:		
Dividends paid:		
No. 40—.03 per share February 28, 1947	$141,909.03	
No. 41—.03 per share April 25, 1947	141,909.03	
No. 42—.03 per share June 27, 1947	141,909.03	
No. 43—.03 per share August 28, 1947	141,909.03	
No. 44—.03 per share October 28, 1947	141,909.03	
No. 45—.03 per share December 30, 1947	141,909.03	851,454.18
Balance at credit, December 31, 1947		$ 3,642,852.59

CAPITAL SURPLUS ACCOUNT
As at December 31st, 1947

Balance at credit, January 1, 1947		$ 56,112.39
Add:		
Profit on disposal of fixed assets	$ 4,855.00	
Profit on sale of bonds	103,875.00	108,730.00
Balance at credit, December 31, 1947		$164,842.39